Review of Credit Arrangements for Informal Sector

505. DR. MANMOHAN SINGH: Will the Minister of FINANCE be pleased to state:

(a) the estimated bank credit flow to the informal sector in the 1990s;

(b) whether Government have conducted any review of credit arrangements for meeting the requirements of the informal sector; and

(c) if so, what are the findings thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL) (a) As reported by Reserve Bank of India, informal sector would basically mean unorganised sectors of the economy credit to whom is reflected broadly in the form of priority sector lending by banks and loans under Differential Rate of Interest (DRI) Scheme. The data on the outstanding advances of public sector banks during the period March 1992 to March 1998 (as available) in respect of various categories of advances under informal sector and data in respect of advances under DRI scheme for the poor and marginal sections of society are given in the Annexure. [*See* Appendix 189, Annexure No. 14]

(b) and (c) The Reserve Bank of India, at the instance of Government of India, have constituted from time to time various committees for looking into the financial needs of the weaker sections and agricultural sector. The recommendations of the committees set up in recent years and the action taken on these recommendations are given in the Annexure. [*See* Appendix 189, Annexure No. 15]

Annexure No. 14

Vide Unstarred Question 505 (a) answered on 29th February, 2000

Data on outstanding advances of Public Sector Banks from March 1992 to 1998 alongwith Datas in respect of advances under DRI Scheme for Poor and marginal Sections of Society

Amount Outstanding as on the Last Reporting Friday of March

(Amount in Rs. Lakh)

Particulars	1992	1993	1994	1995	1996	1997	1998
Agriculture	1831135	1993470	2093019	2332771	2630294	3030542	3314205
Retail Trade	269368	286957	338601	389273	421015	504099	566598
Small Business	182285	192317	210952	229916	283026	349384	387618
Professional & Self Employed	143129	147175	149679	165502	190316	205554	221733
Educational Loan	10594	11747	13251	15796	18340	28039	32889
Pure Consumption Loans	2614	2496	4101	3072	6242	11838	13186
Housing Loans for Weaker Section & SC/STs@	32287	35147	85475	106837	150523	246325	327867
SSC/Agency for on-lending to Weaker Sections#	4733	12388	14097	14377	17139	12827	14813
Loans & Advances to artisans, Village & Cottage Industries	43903	47382	70643	81312	106607	134764	154544

NOTE: @ indicates total Housing Loans under Priority Sector.
# indicates advances to State Sponsored Corporation/Agency for on-lending to other priority sectors.

SOURCE: Statistical Tables Relating to Banks in India, 1992-93 to 1998-1999.

Advances of Public Sector banks under Differential Rates of Interest (DRI) Scheme

(Amount in Rs. Lakh)

Year	Accounts	Amount Outstanding	% to total bank credit
1992	3194330	71625	0.67
1993	2904989	70533	0.62
1994	2421649	68178	0.52
1995	1946765	68303	0.49
1996	1552076	67766	0.41
1997	1429522	65476	0.34

Annexure No. 15

Vide Unstarred Question 505 (b) and (c) answered on 29th February, 2000

Recommendations of the Committees Set up by RBI and action taken thereon

1. *Working Group on NGOs and SHGs*

With a view to studying the functioning of SHGs and NGOs for expanding their activities and deepening their role in the rural sector, the Governor, RBI had in November 1994 constituted a Working Group comprising eminent NGO functionaries, academicians, consultants and bankers under the Chairmanship of Shri S.K. Kalia, Managing Director, NABARD. The members of the Working Group visited a number of NGOs and SHGs, held widespread discussions and studied several issues concerning SHGs and NGOs through a sample of 171 SHGs 49 NGOs and 97 bank branches. The recommendations of the Working Group are as under.

The Working Group was of the view that the linking of SHGs with the banks is a cost effective, transparent and flexible approach to improve the accessibility of credit from the formal banking system to

the unreached rural poor. It is expected to offer the much-needed solution to the twin problems being faced by the banks, viz. Recovery of loan in the rural areas and the high transaction cost in dealing with small borrowers at frequent intervals. The Group, therefore, felt that the thrust of the policy should be to encourage the formation of SHGs and their linking with the banks and in this regard, the banks have a major role to play. The Group has recommended *inter-alia,* that the banks treat the linkage programme as a business opportunity for reaching the rural poor and making it a part of their corporate strategy, the programme be made a part of Service Area Approach and LBR reporting system and regular training curriculum of banks, lending of banks to SHGs being made a separate segment under the priority sector, introducing review and monitoring of SHGs linkage programme, etc. Simultaneously, the Group has suggested for capacity building of NGOs, training of their staff, etc.

2. *High Level Committee on Agricultural Credit through Commercial Banks*

A Committee (Chairman: Shri R.V. Gupta) constituted by the Reserve Bank in December 1997 to review and examine the issues on agricultural credit and to suggest measures that would give an impetus to the flow of credit to this sector submitted its report in April 1998. The major recommendations of the Committee accepted by the Reserve Bank are highlighted below.

- simplification of procedures regarding loan application forms, agrements/documents etc;
- rationalisation of internal returns of banks;
- introduction of a comprehensive cash credit limits to agricultural farmers;
- introduction of new loan products with savings components;
- cash disbursement of loan, dispensation of no due certificates, discretion to banks on matters relating to margin/security requirements for agricultural loans above Rs. 10,000;
- delegating powers to branch managers; and

addressing a host of HRD related issues with regard to bank officials posted at rural branches.

The committee's recommendations relating to most of the procedural modifications have been implemented by banks and it is expected that the procedural improvements will lead to a substantial reduction in paper work and simplify the delivery mechanism for flow of credit to farmers.

Summons to the Chairman, United Breweries Group for FERA Violation

506. SHRI DILIP SINGH JUDEV: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to a news-item captioned "ED Summons Vijay Mallya" appearing in the Hindustan Times, New Delhi on the 27th January, 2000;

(b) whether it is a fact that the Enforcement Directorate issues summons thrice to the Chairman, United Breweries Group for alleged violation of FERA involving crores of rupees;

(c) if so, what are the details thereof and whether it is a fact that Shri Vijay Mallya had avoided appearance before E.D. thrice on one excuse or the other; and

(d) if so, what action Government propose to take in the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI V. DHANANJAYA KUMAR): (a) Yes Sir.

(b) to (d) Shri Vijay Mallya was summoned under section 40 of the Foreign Exchange Regulation Act, 1973 for his appearance on 27.9.1999, 8.11.1999, 26.11.1999 and 3.1.2000. But he did not appear on any of these days. Action as provided under section 56 of the Foreign Exchange Regulation Act is contemplated for non-compliance of summons.